Securities Industry
Trends
AN ANALYSIS OF EMERGING TRENDS IN THE SECURITIES INDUSTRY
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SIA TRENDS FLASH....EVEN A Q2 SLIP CAN'T STOP THIS RECORD

Some acts are hard to follow. The securities industry's first quarter record performance was one of the hardest. Based on the results of the Top 15 firms during April and May, this year's second quarter will show a precipitous 35% decline from Q1's $1.945 billion pre-tax profit (for NYSE firms doing a public business which historically account for about 85% of all securities firms' revenues).

That is not as disastrous as it sounds. The quarter will still turn in over a billion in pre-tax profits...$1.3 billion estimated. It will also be turning in revenues of over $12 billion...only the second time this much was raised (the first quarter's $12.895 billion being the first time). However, in Q2, the $11 billion barrier is projected to be broken for the first time ever for expenses, which cut a good slice out of the quarter's bottom line.

The Top 15's showing in May was well below April's heady levels which in no small part was due to some bad guess work on May's Treasury auction. The resultant revenue dive helped stall a march towards even higher revenue and profit figures in the quarter for individual firms and the largest 15 firms as a group.

But that still leaves the industry with a record half-year pre-tax profit performance of $3.2 billion. That's better than three-quarters of last year's full-year profit binge of $4.1 billion. This leaves less than $1 billion needed in profits over the second half to break last year's record year. So for those who have isolated Q2's downturn as a negative for this record year, just remember...two more quarters only half as good as the one just passed will put the industry over the top of historic profit years.

(over)

PROJECTED 1986 Q2 SECURITIES INDUSTRY PROFITS
(In $ Millions)

	Top 15*	Actual Industry	%	Top 15*	Projected Industry**
	BASED ON Q1 1986			Q2 1986	
REVENUES	5,863	12,895	45.5	5,712	12,554
EXPENSES	5,184	10,950	47.3	5,269	11,140
PRE-TAX NET	-	-	-	-	1,414
PRE-TAX NET***	680	1,945	35.0	443	1,266
	BASED ON FULL YEAR 1985				
REVENUES	17,964	38,621	46.5	5,712	12,284
EXPENSES	16,371	34,481	47.5	5,269	11,093
PRE-TAX NET	-	-	-	-	1,191
PRE-TAX NET***	1,592	4,140	38.5	443	1,151
AVG PRE-TAX NET					1,256

* For first two months of each quarter

** Applies the prior period Top 15 share of market to their Q2 1986 results. Also, subtracts projected expenses from projected revenue.

*** Differences due to rounding.

George R. Monahan
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